

Testimony of

**National Pork Producers Council
for the
United States House Committee on Agriculture**

**September 20, 2006
Washington, D.C.**

INTRODUCTION

The National Pork Producers Council is an association representing 44 state pork producer organizations. NPPC is the voice in Washington for the nation's pork producers, who in 2005 marketed 55 million hogs with total gross receipts of \$15 billion. The U.S. pork industry supports more than 550,000 jobs in the United States; these include input suppliers, producers, processors, handlers and main-street businesses. Overall, an estimated \$20.7 billion of personal income and \$34.5 billion of gross national product are generated by the hog industry based on 2005 levels of production.

PROFILE OF TODAY'S PORK INDUSTRY

The United States pork industry represents a significant value-added activity in the agriculture economy and the overall U.S. economy. The \$15 billion of gross receipts from hogs marketed in 2005 represents only a portion of the economic activity generated by the pork industry.

The hog industry in the United States has seen rapid structural changes in recent years, yet total hog numbers have trended up from a decade ago. In 1990, inventories were 54.5 million head; data from December 2005 showed inventories over 60 million head.

The growth of the United States inventory is feeding growing consumer demand. Of processed hog products, 3.6 billion pounds were exported and 24.2 billion pounds were used in domestic markets. Domestic consumption of pork in 2005 was 680 million pounds higher than it was in 1990; exports were 2.4 billion pounds higher than they were in 1990. In 2005, the U.S. pork industry enjoyed its 14th consecutive year of record exports.

Pork producers are deeply committed to local community economic health, growth and development. We proudly call these communities our homes. There are nearly 35,000 direct, full-time pork-producing jobs, including farm workers and farm proprietors. An additional 76,000 harvester and processing jobs and 439,500 jobs throughout the rest of the economic chain are supported by the pork industry.

The U.S. pork industry today provides nearly 28 billion pounds of safe, wholesome and nutritious meat protein to consumers worldwide each year. In fact, 2006 will be the fifth consecutive year of record pork production in the United States, and all indicators point to another record in 2007. This is accomplished by nearly 67,000 pork operations in all 50 states, with most production located in the upper Midwest, mid-Atlantic and High Plains states.

2007 FARM BILL

The National Pork Producers Council has established a 2007 Farm Bill Policy Task Force, which has held several meetings, reviewing and evaluating many of the Farm Bill issues that will affect our industry. Pork producers have been actively engaged in the Farm Bill process, participating in several congressional field hearings. We are committed to working with this Committee as a new Farm Bill is crafted.

As the next Farm Bill is written, we hope Congress will consider the needs of the nation's pork producers: 1) maintain the U.S. pork industry's competitive advantage globally; 2) strengthen the industry's competitiveness; 3) defend the industry's competitiveness by opposing unwarranted and costly provisions and regulations.

Pork producers would like to share their thoughts on a number of issues that likely will be part of the debate when Congress considers the next Farm Bill.

Renewable Energy

America's pork producers strongly support the development and use of renewable fuels to reduce the nation's dependence on foreign oil. But the rapidly growing demand for renewable fuels, specifically ethanol from corn, presents a challenge for pork producers. New ethanol plants scattered throughout the country are coming on-line quickly and many more are in the construction and planning stages. Currently there are sufficient corn supplies to meet the demand for feed, fuel, food and exports for the next two crop years. Beginning in 2008, though, ethanol production could be large enough to cause displacement in the domestic pork industry. Given current and projected ethanol prices, ethanol plants likely will be able to outbid pork producers for corn. Additionally, any wide-spread drought would significantly accelerate this problem.

The U.S. pork industry is probably more exposed to the growth of the ethanol industry than any other livestock sector. Be wary of claims that the largest by-product of ethanol production, dried distillers grains (DDGs), can make up any deficiencies in feed from corn. Pigs cannot utilize DDGs as effectively as other livestock species. Dr. Jerry Shurson at the University of Minnesota has reported that high-quality DDGs are worth about \$114 per ton to dairy producers, \$108 to beef producers, \$104 to egg layer operations, \$100 to poultry finishers and only \$96 to swine grower finishers. DDGs are low in starch and amino acids and high in oil and fiber. Some contain mycotoxins that can be harmful to animal health. Some ethanol plants overheat the DDGs, making them even less useful, and there are vast differences in the quality of DDGs from plants. Additionally, DDGs cause storage flowability problems and are high in phosphorous and protein, resulting in excess phosphorus and nitrogen in manure, which can lead to environmental problems. Furthermore, nutritionists have noted that when DDGs in excess of 10 percent of total feed are given to hogs, a reduction in fat quality can be found, resulting in a less superior product. Therefore, the substitution of DDGs into the nation's feed supply will put the pork industry at a competitive disadvantage.

Further research and development are needed to find other energy alternatives, such as using animal manure and fat and biomass, including lignocellulose, switchgrass and corn stover. NPPC has established a Renewable Fuels working group to evaluate this issue further. The right balance is needed to meet the needs of fuel *and* feed security. The U.S. pork industry needs your support to make sure pork producers remain competitive in this changing world.

Conservation Reserve Program

Pork producers believe the marketplace should decide how to meet the demand for renewable energy, which could mean crop-producing acres currently in the Conservation Reserve Program (CRP) be placed back into production between now and 2010. Without these additional acres being made available for crop production, producers are facing run-ups in feed prices in years to come. Pork producers remain committed to leaving in the CRP, even among its current corn acres, those portions of fields that are planted to filter strips, buffer strips, grass waterways and other partial field enrollments that provide extremely high environmental benefits. Pork

producers also support returning CRP land to crop production in a manner that preserves CRP-developed organic matter and minimizes erosion through the use of practices such as conservation and no-till techniques. But the bottom line, in our view, is that much more crop land must be made available to ensure there is an adequate feed supply to meet demand.

Animal Identification

In today's marketplace, adopting new technologies is absolutely imperative for the swine industry to remain dynamic, progressive and aware of market demand. Bio-security remains a cornerstone in our production facilities so that absolute confidence in the safety and wholesomeness of pork can be maintained by domestic and international consumers. U.S. pork producers believe in the establishment of a mandatory National Animal Identification System and are committed to an industry-wide approach in identifying our animals. We believe animal ID enables state and federal animal health officials to address existing diseases, foreign animal diseases and emerging diseases. An ID system will allow for monitoring and establishing efforts to control and eradicate these diseases, and a surveillance system will facilitate tracking and containing the spread of disease. Pork producers believe that the ability to rapidly identify animals and detect, contain and eliminate disease is an essential food security tool that will preserve the domestic and international marketability of U.S. livestock.

Trade

Pork producers are the most ardent promoters of free trade agreements, which have prompted rapid growth in pork exports and record profitability. We realize that as an industry we must continue to work to remove distortions that impinge on the free market. There is a considerable global demand for pork and pork products. Pork represents 44 percent of global meat protein intake, far more than beef and poultry. World pork trade has grown from 3.9 percent to 5.3 percent of total world pork consumption in just the past five years. The extent of any increase in global pork trade in the future will hinge heavily on continued efforts to bring about further agricultural trade liberalization. We support the Market Access Program (MAP) and the Foreign Market Development Program (FMD), which help expand export opportunities for U.S. pork, and we urge continued funding for these programs, which have long-term market benefits. It is important to emphasize the need to strengthen the ability of U.S. agriculture to compete in the

global marketplace. American agriculture is among the most competitive industries in the world, but it should not be expected to compete alone in the export markets against foreign governments. Reductions of MAP and FMD funding would put American farmers at a substantial competitive disadvantage. Regardless of the timing in writing a new Farm Bill, Congress should extend Trade Promotion Authority. TPA is very important to U.S. agriculture and the U.S. livestock sector – it sends to our trading partners the message that the U.S. is a willing and open trading partner. We need to strengthen the ability of U.S. agriculture to compete efficiently in the global and domestic marketplaces.

Risk Management

U.S. pork exports in 2006 are estimated to be 15 percent of production, up from 12 percent in 2005. The U.S. pork industry will enjoy its 15th straight record year for pork exports in 2006. Our success in expanding exports has created a new market environment. The downside of growing exports is a larger adverse economic impact should there be any trade disruption. Pork producers understand this dynamic, and Congress must recognize that a trade disruption would be devastating to the U.S pork sector. Iowa State economist Dermot Hayes estimates a \$3.6 billion loss for the industry if export markets are lost.

Given that potential significant shock to the U.S. pork industry – and to the U.S. economy – NPPC supports programs to minimize the economic impact of any trade disruptions. We understand that a USDA Livestock Risk Protection program and an Iowa program were placed in the 2002 Farm Bill. Pork producers are evaluating these futures market-based programs and the reasons for their limited success among producers. NPPC is looking at federal revenue-based assurance options that would assist producers should export markets ever be interrupted.

Research

USDA's research is critical to the pork industry, be it improving swine genetics by completing the mapping of the swine genome; testing and deploying new and improved animal vaccines; improving the usefulness of energy production by-products, such as distillers dried grains; further increasing animal productivity; or the development of new environmental management and mitigation technologies such as the means to reduce or mitigate potentially regulated air

emissions from swine facilities. Research can assist in monitoring diseases and preventing a disease outbreak.

A significant amount of research has been devoted to other animal genomes. It is time for USDA to do the same for the swine genome. Genome sequencing is only the first step to unlocking key genetic information. Annotation is the identification of the functional genes associated within the sequence of the genome and will provide the industry with tools to quickly and efficiently improve production efficiencies in nutrition, swine health, reproductive physiology, animal welfare, nutrient management and pork quality. In addition, the pig is an excellent model for human research in health and nutritional disciplines. Annotation of the swine genome will assist in the development of research models in human nutrition, physiology and medicine.

We also support establishment within USDA of the National Institute of Food and Agriculture, which would conduct research and studies to “ensure that the agricultural innovation that has been so successful in the past continues in the future.”

Conservation and the Environment

Pork producers have reduced the environmental footprint of their operations on the country's natural resources and landscape through the adoption of sound and advanced manure management and utilization practices. The vast majority of the resources pork producers have invested in these practices were provided by producers themselves, without public assistance. But pork producers were and remain very interested in participating in USDA's working-lands conservation programs, such as the Environmental Quality Incentive Program (EQIP), to raise the level of their environmental performance and to address any remaining critical conservation and environmental needs on their operations. During debate on the 2002 Farm Bill, U.S. pork producers took a lead role with other livestock groups to advance major funding increases for EQIP. So we are quite disappointed in how little support EQIP has provided to pork producers over the 2003 to 2005 program years.

After a thorough review of several hog-producing states' EQIP programs, NPPC presented its findings to the Natural Resources Conservation Service. Despite what we believe to have been sincere efforts by NRCS to correct the program's problems, EQIP continues to fail pork producers. Using NRCS data and our own estimates, we calculated that approximately \$1.98 billion in cost-share assistance was provided by the EQIP program to both crop and livestock producers from 2003 through 2005. Of this amount, approximately \$1.26 billion or 63 percent of the total was provided to livestock producers. This percentage is consistent with the 2002 Farm Bill recommendation that 60 percent of funds go to livestock and poultry. Looking at the 2003 data, pork producers received just 3 percent of the cost-share assistance provided to all livestock producers that year – less than goats, emus, ostriches, elk and bison received. After reviewing the data from 2004 and 2005, we found the same results.

Figure 1: EQIP spending under the 2002 Farm Bill on all livestock, 2003 to 2005 and total over that period, by species

Species	2003-2005 \$	'03-'05%	2005 \$	'05%	2004 \$	'04 %	2003 \$	'03%
Horses	\$7,147,193	1%	\$0	0%	\$4,421,244	1%	\$2,725,949	1%
Sheep	\$16,858,540	1%	\$8,883,826	2%	\$4,522,929	1%	\$3,451,785	1%
Swine	\$43,061,095	3%	\$17,582,432	4%	\$14,569,213	3%	\$10,909,450	3%
Other	\$46,002,475	4%	\$18,867,510	4%	\$15,459,060	3%	\$11,675,905	4%
Poultry	\$73,275,499	6%	\$32,524,429	7%	\$25,645,002	6%	\$15,106,068	5%
Dairy	\$248,745,439	20%	\$91,143,643	18%	\$88,806,934	20%	\$68,794,862	22%
Beef	\$825,055,530	65%	\$327,827,898	66%	\$296,134,316	66%	\$201,093,316	64%
Total	\$1,260,145,771		\$496,829,738		\$449,558,698		\$313,757,335	

Even in the eight states (Iowa, North Carolina, Minnesota, Indiana, Illinois, Missouri, Nebraska, and Oklahoma) that account for 78 percent of the nation's pork output, producers received only 11 percent of the EQIP cost-share assistance funds provided to all livestock producers from 2003 through 2005. While an improvement, it still indicates a significant under-investment in the environmental practices of pork producers. NPPC would like this imbalance corrected and would like EQIP funds to be allocated for specific on-farm practices that have a clear environmental benefit, such as development of comprehensive nutrient management plans and the use of technical service providers; odor and emissions reduction practices; and manure storage, transfer and field application technologies.

Animal Care, Housing and Transportation

America's pork producers established the world-class Pork Quality Assurance (PQA) program to provide responsible animal care through the application of scientifically sound practices. That means proper care and handling at each stage of the production process, with no tolerance for mistreatment of animals, and it means well-kept facilities to allow for the safe and humane movement of each animal and development of herd health programs with veterinary advice. Further, we enhanced our commitment to animal care through the Pork Quality Assurance Plus program. This is a first-of-its-kind animal welfare program in the U.S. livestock sector that combines producer education and on-farm assessments, verified by third-party audits, to ensure the highest levels of animal care. Furthermore, we have a Trucker Quality Assurance (TQA) program that addresses animal care and handling issues during transport. For producers, there is no higher priority than maintaining the well-being of their animals, and they have shown their commitment by funding PQA and TQA through their check-off dollars.

While the pork industry has invested hundreds of thousands of dollars in research and practical applications to enhance swine well-being, our industry is under attack by those who would severely restrict the raising of livestock and poultry for food. We are faced with provocative ad campaigns used to sway public opinion, lawsuits that seek to halt our production practices and scare tactics that question the safety of our product. In the next Farm Bill, we expect so-called animal-rights groups to push to add a number of provisions that, if adopted, would be very detrimental to the well-being and viability of U.S. pork producers, including:

- Extension of an 1870s law, known as the "28-hour rule," to the transportation of all livestock to all destinations. The law was enacted to deal with the movement to slaughterhouses of cattle by train. A lawsuit is pending to force USDA to bring all livestock transported by truck under the "28-hour rule." The pork industry already has adopted a Trucker Quality Assurance program that addresses animal care and handling issues during transport.
- A ban on all non-ambulatory livestock from the food supply. Several animal-rights groups tried in the last three Congresses – including an effort during the 2002 Farm Bill –

to include such a ban. For pork producers, this would be particularly devastating given that previous versions of federal legislation called for the euthanasia at auction markets and slaughterhouses of any animal which, for whatever reason, does not get up and move under its own power at delivery. The physiological makeup of the pig often prompts it to lie down. Under the strict conditions of previous legislation to ban such non-ambulatory animals, these pigs would be killed without regard to their health, the ownership of the animals or the cost to the producer. There is no food-safety risk associated with harvesting pigs that lie down for some period of time.

- A ban on the use of certain animal health products and the adoption of free-range housing, including a ban on stalls for all species. This effort could come in the form of H.R. 5557, a bill that would place severe restrictions on modern pork production for producers who want to sell to the federal government for school lunch, military or other federal facility food services.

Many members of this committee will be dealing with these issues for the first time, and NPPC stands ready and willing to work with you to provide the detailed implications of any legislative initiative that may be brought to you under the guise of “animal protection.”

Market Structure and Information

In the past 25 years, the U.S. pork industry has undergone a dramatic transformation in response to pressures to compete, both in the domestic market against competing proteins and in the export market against the pork industries in other countries. Although the process of restructuring is ongoing, and the merits of this industry restructuring are still being debated, the net result is that the U.S. pork industry has held its ground domestically and has made major inroads in export markets. The U.S. now has one of the most competitive pork industries in the world but still faces challenges both from other meat sources and from other countries, such as Canada and Brazil. The pork industry has done well because of the variety of marketing options available to pork producers. Open and transparent hog markets are working well for the pork industry. U.S. hog and pork markets work because pork producers and packers are able to use any of several methods to market and price pigs. These include spot market transactions,

cooperatives, bargaining associations and contractual arrangements. We support the right of all producers of any size or type or production system to market access, and we are opposed to anything that hinders that access. Furthermore, we do not believe that U.S. pork producers will be well-served by eliminating or requiring any particular marketing or pricing mechanism. The reason that this wide variety exists is that some producers believe each method is the best for their farm. Limiting their choices can do nothing but hurt their well-being.

Pork producers continue to need accurate and complete price and quantity information such as that found in the reports created by the Livestock Mandatory Price Reporting Act of 1999. It is imperative that this Act be renewed soon to ensure that these data, which help producers make business and production decisions, continue to be available to all market participants. The House last year passed a bill (H.R. 3408) reauthorizing the mandatory price reporting law for five years and adding several swine-specific reporting changes. The measure was strongly supported by pork producers. However, the Senate has yet to take action on the measure, and the law expired on September 30, 2005. Since then, the prices paid for hogs have been reported voluntarily. While this voluntary reporting is maintaining stable prices for pork and beef, sheep industry prices have collapsed under voluntary reporting. We remain concerned about the slow erosion of voluntary reporting in the pork sector. NPPC would like to see the mandatory price reporting law reauthorized before the 2007 Farm Bill is crafted, but should there be no resolve, we support the inclusion of LMRA in the Farm Bill.

An issue that would affect pork producers' ability to adapt to consumer demand is country of origin labeling (COOL). A provision mandating COOL was included in the 2002 Farm Bill. But mandatory COOL, the implementation of which has been delayed, would add costs to producers without providing consumers additional assurances about the safety of their food. Pork producers continue to support a voluntary program similar to the USDA process-certified program used for organics. This approach does not come at the expense of pork producers. To answer consumer demands for specific products, the U.S. pork industry is transforming from an industry with a commodity orientation to one with brand orientation.

CONCLUSION

As the Agriculture Committee begins to craft the 2007 Farm Bill, please keep in mind that pork producers are working to maintain, strengthen and defend their competitive advantage both domestically and internationally.

On behalf of the National Pork Producers Council and the many pork producers we represent, thank you for holding this hearing and allowing us to share our thoughts. We respectfully request your continued and focused attention on the matters we have brought to you today, and we look forward to working with the committee.

Joy Philippi

President, National Pork Producers Council

Joy Philippi of Bruning, Nebraska owns and operates Pine Alley L.L.C. a 2,000 head nursery that is networked with other local producers. She and her parents are partners in their family farm operation that also includes 400 acres of corn and soybeans.

Philippi believes that the National Pork Producers Council has matured as the trade organization representing member investors in many legislative and regulatory arenas.

In 2000, Joy was the president of the Nebraska Pork Producers Association. She has chaired most committees for that group, is co-chair of the State and National relations committee and is a member of the executive committee.

Joy was elected to a two-year term on the National Pork Producers Council Board of Directors in 2002.

Currently Joy is the chair of the National Pork Producers Council's Animal Health and Food Security Committee. She has served on many task forces and committees including COOL, Antimicrobial Working Group, Budget and Vote Yes. She has also been called upon by the National Pork Board to serve on committees including Plan of Work, Swine ID, COOL and Trade.

Philippi was appointed by the Nebraska Dept. of Agriculture to serve on the Rural Rehabilitation Advisory Committee and is co-chair of the identification subcommittee of the department's SAVE committee. She was a member of Nebraska Governor Mike Johann's trade mission team to South America in 2001.

Joy is actively involved in her local community and church activities and is a member of many state commodity and producer organizations.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: Joy M. Philipp
Address: 2334 Hwy 81 Bruning NE 68322
Telephone: 402-353-6365
Organization you represent (if any): National Pork Producers Council

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: _____ Amount: _____

Source: _____ Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2004, as well as the source and the amount of each grant or contract:

Source: _____ Amount: _____

Source: _____ Amount: _____

Please check here if this form is NOT applicable to you: _____

Signature: Joy M. Philipp

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

Committee on Agriculture
U.S. House of Representatives
Information Required From Non-governmental Witnesses

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Joy M. Philippi
2. Business Address: 2334 Hwy 81
Bruning, NE
3. Business Phone Number: _____
4. Organization you represent: National Pork Producers Council
5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:
Farmer & pork producer at Bruning, Nebraska.
10 years & in Pork Industry Group Representation
Current president National Pork Producers Council.
6. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:
20 years in Farming - 400 Acres of Corn &
Soybeans. Pork Production current 2,000 head
nursery. Handle approximately 14,000 hd. per year
7. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:
President National Pork Producers Council
Co-Chair of the NPPC 2007 Farm Bill
Task Force.

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.